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QUARTERLY REPORT
On the consolidated results for the second quarter ended 31 December 2017

The Directors are pleased to announce the following:

Unaudited Condensed Consolidated Statement of Profit or Loss
Amounts in RM million unless otherwise stated

	Note	Quarter ended 31 December 2017	Quarter ended 31 December 2016	% +/(-)	Half-year ended 31 December 2017	Half-year ended 31 December 2016	% +/(-)
Revenue	A7	**4,085**	3,925	4	**7,626**	6,744	13
Operating expenses		**(3,481)**	(3,302)		**(6,405)**	(5,796)	
Other operating income		**30**	13		**48**	23	
Other gains/(losses)		**57**	(54)		**703**	(45)	
Operating profit	B5	**691**	582	19	**1,972**	926	> 100
Share of results of joint ventures		**(9)**	(10)		**(7)**	(23)	
Share of results of associates		**(9)**	(2)		**(8)**	(4)	
Profit before interest and tax	A8	**673**	570	18	**1,957**	899	> 100
Finance income		**5**	10		**17**	19	
Finance costs	B5	**(41)**	(108)		**(98)**	(219)	
Profit before tax		**637**	472	35	**1,876**	699	> 100
Tax expense	B6	**(160)**	(131)		**(340)**	(201)	
Profit for the period		**477**	341	40	**1,536**	498	> 100
Attributable to owners of:							
- the Company		**429**	319	34	**1,448**	470	> 100
- Perpetual Sukuk		**31**	-		**63**	-	
- non-controlling interests		**17**	22		**25**	28	
Profit for the period		**477**	341	40	**1,536**	498	> 100
		Sen	**Sen**		**Sen**	**Sen**	
Earnings per share attributable to owners of the Company							
Basic	B12	**6.3**	4.7	34	**21.3**	6.9	> 100

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Comprehensive Income
Amounts in RM million unless otherwise stated

	Quarter ended 31 December		%	Half-year ended 31 December		%
	2017	**2016**	**+/(-)**	**2017**	**2016**	**+/(-)**
Profit for the period	**477**	**341**	40	1,536	498	> 100
Other comprehensive income/(loss)						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences						
- subsidiaries	**(314)**	**1,239**		(476)	1,463	
- joint ventures and associates	**11**	**(12)**		(3)	(15)	
Net changes in fair value of:						
- available-for-sale investments	**-**	**1**		-	(9)	
- cash flow hedges	**23**	**34**		22	43	
Tax credit	**(1)**	**(11)**		(1)	(10)	
	(281)	**1,251**		(458)	1,472	
Total comprehensive income for the period	**196**	**1,592**		1,078	1,970	
Attributable to owners of:						
- the Company	**142**	**1,346**	(89)	1,006	1,942	(48)
- Perpetual Sukuk	**31**	**-**		63	-	
- non-controlling interests	**1**	**22**	(95)	9	28	(68)
Total comprehensive income for the period	**174**	**1,368**	(87)	1,078	1,970	(45)

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Financial Position
Amounts in RM million unless otherwise stated

	Note	Unaudited As at 31 December 2017	Audited As at 30 June 2017
Non-current assets			
Property, plant and equipment		**17,935**	18,340
Investment properties		**15**	15
Prepaid lease rentals		**584**	625
Joint ventures		**466**	480
Associates		**115**	129
Intangible assets		**2,861**	3,039
Available-for-sale investments		**110**	110
Deferred tax assets		**575**	641
Tax recoverable		**246**	333
Trade and other receivables		**76**	83
		22,983	23,795
Current assets			
Inventories		**1,715**	1,522
Biological assets		**192**	199
Trade and other receivables		**3,039**	2,558
Tax recoverable		**362**	385
Amount due from fellow subsidiaries		**-**	43
Derivatives	B9	**36**	56
Bank balances, deposits and cash		**674**	713
		6,018	5,476
Assets held for sale		**172**	184
Total assets	A8	**29,173**	29,455
Equity			
Share capital		**1,100**	600
Reserves		**12,864**	11,858
Attributable to owners of the Company		**13,964**	12,458
Perpetual Sukuk		**2,231**	2,231
Non-controlling interests		**387**	434
Total equity		**16,582**	15,123

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Financial Position (continued)
Amounts in RM million unless otherwise stated

	Note	Unaudited As at 31 December 2017	Audited As at 30 June 2017
Non-current liabilities			
Borrowings	B8	**5,742**	6,412
Finance lease obligation		**14**	50
Retirement benefits		**238**	238
Deferred income		**1**	1
Other payables		**10**	9
Deferred tax liabilities		**2,495**	2,596
		8,500	9,306
Current liabilities			
Trade and other payables		**2,277**	1,773
Amount due to immediate holding company		**-**	145
Amount due to fellow subsidiaries		**-**	1,442
Borrowings	B8	**1,472**	1,325
Finance lease obligation		**-**	3
Deferred income		**3**	27
Tax payable		**299**	268
Derivatives	B9	**14**	28
		4,065	5,011
Liabilities directly associated with assets held for sale		**26**	15
Total liabilities		**12,591**	14,332
Total equity and liabilities		**29,173**	29,455
Net assets per share attributable to owners of the Company (RM)		**2.05**	1.83

Note:

1. Assets held for sale			
Non-current assets			
- property, plant and equipment		**29**	46
Disposal group			
- property, plant and equipment		**93**	81
- other assets		**50**	57
		172	184
2. Liabilities directly associated with assets held for sale			
Disposal group		**26**	15

3. The weighted average number of shares for all periods has been adjusted for Share Issue and Share Split as set out in Note A5.

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Changes in Equity
Amounts in RM million unless otherwise stated

	Share capital	Capital reserve	Hedging reserve	Merger reserve	Available-for-sale reserve	Exchange reserve	Retained profits	Attributable to owners of the Company	Perpetual Sukuk	Non-controlling interests	Total equity
Half-year ended 31 December 2017											
At 1 July 2017	**600**	**13**	**(4)**	**(18)**	**76**	**1,158**	**10,633**	**12,458**	**2,231**	**434**	**15,123**
Share issue	**500**	**-**	**-**	**-**	**-**	**-**	**-**	**500**	**-**	**-**	**500**
Total comprehensive income/(loss) for the period	**-**	**-**	**21**	**-**	**-**	**(463)**	**1,448**	**1,006**	**63**	**9**	**1,078**
Transactions with Perpetual Sukuk holders:											
- distribution	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(63)**	**-**	**(63)**
Transactions with equity holders:											
- dividends	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(56)**	**(56)**
At 31 December 2017	**1,100**	**13**	**17**	**(18)**	**76**	**695**	**12,081**	**13,964**	**2,231**	**387**	**16,582**

	Share capital	Capital reserve	Hedging reserve	Merger reserve	Available-for-sale	Exchange reserve	Retained profits	Attributable to owners of the Company	Perpetual Sukuk	Non-controlling interests	Total equity
Half-year ended 31 December 2016											
At 1 July 2016	600	13	(29)	(18)	76	928	8,022	9,592	-	455	10,047
Total comprehensive income/(loss) for the period	-	-	33	-	(9)	1,448	470	1,942	-	28	1,970
Transactions with equity holders:											
- dividends	-	-	-	-	-	-	-	-	-	(21)	(21)
At 31 December 2016	600	13	4	(18)	67	2,376	8,492	11,534	-	462	11,996

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Unaudited Condensed Consolidated Statement of Cash Flows
Amounts in RM million unless otherwise stated

	Note	Half-year ended 31 December 2017	Half-year ended 31 December 2016
Cash flow from operating activities			
Profit for the period		**1,536**	498
Adjustments for:			
Share of results of joint ventures and associates		**15**	27
Finance income		**(17)**	(19)
Finance costs		**98**	219
Gain on disposal of:			
- property, plant and equipment	B5	**(69)**	(17)
- non-current assets held for sale	B5	**(676)**	-
Depreciation and amortisation	B5	**548**	580
Property, plant and equipment written off	B5	**13**	21
Write-down of inventories	B5	**8**	9
Fair value losses:			
- commodities futures contracts	B5	**15**	79
- forward foreign exchange contracts	B5	**13**	10
Unrealised exchange losses	B5	**18**	51
Tax expense	B6	**340**	201
Fair value changes on biological assets		**(10)**	(70)
Retirement benefit		**25**	18
Impairment of receivables	B5	**1**	3
Writeback of donation		**(95)**	-
Dividend income		**(39)**	(2)
		1,724	1,608
Changes in working capital:			
Inventories		**(337)**	(168)
Trade and other receivables		**(675)**	(860)
Trade and other payables		**395**	92
Intercompany balances		**272**	(249)
Cash generated from operations		**1,379**	423
Tax paid		**(195)**	(57)
Retirement benefit paid		**(7)**	(4)
Net cash from operating activities		**1,177**	362
Investing activities			
Finance income received		**17**	11
Purchase of property, plant and equipment		**(657)**	(688)
Purchase of intangible assets		**(6)**	(10)
Payment for prepaid lease rental		**(22)**	-
Proceeds from sale of:			
- property, plant and equipment		**106**	43
Dividend received from:			
- available-for-sale investments		**39**	2
Proceeds from sale of redeemable loan stocks		**333**	-
Net cash used in investing activities		**(190)**	(642)

Unaudited Condensed Consolidated Statement of Cash Flows (continued)
Amounts in RM million unless otherwise stated

	Note	Half-year ended 31 December 2017	2016
Financing activities			
Distribution to Perpetual Sukuk holders		**(63)**	-
Finance costs paid		**(126)**	(252)
Loans raised		**435**	452
Loan repayments		**(583)**	(660)
Advances from fellow subsidiary		**-**	1,090
Repayment to fellow subsidiary		**(602)**	-
Dividends paid to non-controlling interest of subsidiaries		**(56)**	(21)
Net cash (used in)/generated from financing activities		**(995)**	609
Net changes in cash and cash equivalents		**(8)**	329
Foreign exchange differences		**(31)**	52
Cash and cash equivalents at beginning of the period		**713**	636
Cash and cash equivalents at end of the period		**674**	1,017

For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following:

Bank balances, deposits and cash		**674**	1,017

Details of significant non-cash transactions during the financial year are set out in Note A10(f) to the financial statements.

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2017.

EXPLANATORY NOTES

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard (MFRS) 134 – Interim Financial Reporting and other MFRS issued by the Malaysian Accounting Standards Board (MASB). The interim financial report is unaudited and should be read in conjunction with the audited consolidated financial statements for the financial year 30 June 2017.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

a) The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited consolidated financial statements for the financial year ended 30 June 2017, except for new accounting pronouncements that have been adopted as described below:

- Amendments to MFRS 12 (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Disclosure Initiative (Amendments to MFRS 107)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to MFRS 112)

The adoption of these new pronouncements did not have material impact on the interim financial report for the Group.

b) The Group has considered the new accounting pronouncements in the preparation of this interim financial report.

i) Accounting pronouncements that are not yet effective are set out below:

- MFRS 9 – Financial Instruments
- MFRS 16 – Leases
- MFRS 17 – Insurance Contracts
- Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)
- Applying MFRS 9 – Financial Instruments with MFRS 4 – Insurance Contracts (Amendments to MFRS 4)
- Annual Improvements to MFRSs 2014 – 2016 Cycle
- Annual Improvements to MFRSs 2015 – 2017 Cycle
- Transfers of Investment Property (Amendments to MFRS 140)
- Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- Long-term Interest in Associates and Joint Ventures (Amendments to MFRS 128)
- IC Interpretation 22 – Foreign Currency Translations and Advance Consideration
- IC Interpretation 23 – Uncertainty over Income Tax Treatments

ii) Accounting pronouncement where the effective date has been deferred to a date to be determined by the Malaysian Accounting Standards Board (MASB) is set out below:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to MFRS 10 and MFRS 128)

The Group is in the process of assessing the impact arising from adoption of the above pronouncements.

Amounts in RM million unless otherwise stated

A2. Seasonal or Cyclical Factors

The Group's operations are not materially affected by seasonal or cyclical factors except for the fresh fruit bunch production which may be affected by the vagaries of weather and cropping patterns.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

Except as disclosed in Notes B1 and B2, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the quarter under review.

A4. Material Changes in Estimates

There were no material changes in estimates for the current quarter under review.

A5. Debt and Equity Securities

Save for the following, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

a) New ordinary shares

On 13 November 2017, the Company increased its issued share capital from RM600,000,000 to RM 1,100,000,000 via issuance of 7,703,197 ordinary shares credited as fully paid in the capital of the Company to Sime Darby Berhad ("SDB") by capitalising the amount due to SDB ("Share Issue").

b) Subdivision of ordinary shares

On 14 November 2017, the Company undertook to subdivide every 1 existing ordinary shares into 11.1910541372 new ordinary shares to achieve a total of 6,800,839,377 ordinary shares in the Company ("Share Split").

A6. Dividends Paid

No dividend was paid by the Company during the quarter under review.

A7. Revenue

The Group derived the following types of revenue:

		Half-year ended 31 December	
	Note	**2017**	**2016**
Revenue from contracts with customers	A7 (a)	**7,585**	6,733
Revenue from other sources	A7 (b)	**41**	11
Total revenue		**7,626**	6,744

Amounts in RM million unless otherwise stated

A7. Revenue (continued)

(a) Disaggregation of revenue from contracts with customers

	Half-year ended 31 December	
	2017	**2016**
Upstream		
- Malaysia	**674**	312
- Indonesia	**379**	413
- Papua New Guinea and Solomon Islands	**782**	786
- Liberia	**18**	4
Downstream	**5,703**	5,190
Other operations	**29**	28
	7,585	6,733

	Half-year ended 31 December	
	2017	**2016**
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products	**7,480**	6,628
Freight services	**100**	101
Tolling services	**5**	4
	7,585	6,733

	Half-year ended 31 December	
	2017	**2016**
Timing of revenue recognition		
- at point in time	**7,480**	6,628
- over time	**105**	105
	7,585	6,733

(b) Revenue from other sources

	Half-year ended 31 December	
	2017	**2016**
Dividend (gross) received/ receivable from investments	**39**	2
Rental income	**2**	9
	41	11

(c) Revenue expected to be recognised in relation to unsatisfied performance obligations

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially satisfied) as at 31 December 2017.

	Expected timing of recognition
	Quarter ended 31 March 2018
Freight income	3

Amounts in RM million unless otherwise stated

A8. Segment Information

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI*	Upstream Liberia	Downstream	Other operations	Inter-segment elimination	Total
Half-year ended 31 December 2017								
Segment revenue:								
External	676	379	782	18	5,703	68	-	7,626
Inter-segment	1,784	627	142	-	1,583	332	(4,468)	-
	2,460	1,006	924	18	7,286	400	(4,468)	7,626
Segment results:								
Operating profit/(loss)	1,490	261	77	(43)	134	53	-	1,972
Share of results of joint ventures and associates	-	-	-	-	-	(15)	-	(15)
Profit/(loss) before interest and tax	1,490	261	77	(43)	134	38	-	1,957
Half-year ended 31 December 2016								
Segment revenue:								
External	321	413	786	4	5,190	30	-	6,744
Inter-segment	1,904	441	187	-	933	355	(3,820)	-
	2,225	854	973	4	6,123	385	(3,820)	6,744
Segment results:								
Operating profit/(loss)	402	318	29	(27)	182	22	-	926
Share of results of joint ventures and associates	-	-	-	-	-	(27)	-	(27)
Profit/(loss) before interest and tax	402	318	29	(27)	182	(5)	-	899

*: Papua New Guinea and Solomon Islands

SIME DARBY PLANTATION BERHAD
(Company No: 647766-V)

Explanatory Notes on the Quarterly Report – 31 December 2017
Amounts in RM million unless otherwise stated

A8. Segment Information (continued)

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI*	Upstream Liberia	Downstream	Other operations	Inter-segment elimination	Total
As at 31 December 2017								
Segment assets:								
Operating assets	**9,721**	**4,741**	**7,930**	**403**	**4,066**	**376**	**-**	**27,237**
Joint ventures and associates	**-**	**-**	**-**	**-**	**-**	**581**	**-**	**581**
Non-current assets held for sale	**29**	**139**	**-**	**-**	**4**	**-**	**-**	**172**
	9,750	**4,880**	**7,930**	**403**	**4,070**	**957**	**-**	**27,990**
Tax assets								**1,183**
Total assets								**29,173**
As at 30 June 2017								
Segment assets:								
Operating assets	8,949	4,994	8,587	418	3,601	754	-	27,303
Joint ventures and associates	-	-	-	-	-	609	-	609
Non-current assets held for sale	42	138	-	-	4	-	-	184
	8,991	5,132	8,587	418	3,605	1,363	-	28,096
Tax assets								1,359
Total assets								29,455

*: Papua New Guinea and Solomon Islands

Amounts in RM million unless otherwise stated

A9. Capital Commitments

Authorised capital expenditure not provided for in the interim financial report are as follows:

	As at 31 December 2017	As at 30 June 2017
Property, plant and equipment:		
- contracted	**214**	270
- not contracted	**55**	107
	269	377
Other capital expenditure:		
- contracted	**18**	-
- not contracted	**754**	868
	1,041	1,245

A10. Significant Related Party Transactions

Related party transactions conducted during the half-year ended 31 December are as follows:

	Half-year ended 31 December	
	2017	**2016**
a) Transactions with fellow subsidiaries of Sime Darby Berhad		
i) Payroll, accounting and IT processing costs		
- Sime Darby Global Services Centre Sdn Bhd	**31**	32
ii) Commission on purchase of FFB and sale of palm products		
- Sime Darby Holdings Berhad	**-**	28
iii) Management fee expenses		
- Sime Darby Holdings Berhad	**14**	22
iv) Interest expenses		
- Sime Darby Holdings Berhad	**18**	175
v) Purchase of heavy equipments, spare parts and services		
- Sime Darby Industrial Holdings Sdn Bhd	**20**	10
- Sime Kubota Sdn Bhd	**3**	4
vi) Gain on sale of lands		
- Sime Darby Property Berhad	**676**	-

The purchase consideration for the sale of lands to Sime Darby Property Berhad amounting to RM690 million were arrived at after considering their market values as determined by independent external professional valuers.

Amounts in RM million unless otherwise stated

A10. Significant Related Party Transactions (continued)

Related party transactions conducted during the half-year ended 31 December are as follows: (continued)

	Half-year ended 31 December 2017	Half-year ended 31 December 2016
b) Transactions with former immediate holding company		
i) Issuance of new ordinary shares	**500**	-
c) Transactions with a joint venture		
i) Sale of goods and tolling services		
- Emery Oleochemicals (M) Sdn Bhd	**24**	15
d) Transactions with an associate		
i) Purchase of latex concentrate		
- Muang Mai Guthrie Public Company Limited	**5**	-

e) Transactions with shareholders and Government

Permodalan Nasional Berhad (PNB) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 52.9% as at 31 December 2017 of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra (YPB). The Group considers that, for the purpose of FRS 124 – Related Party Disclosures, YPB and the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government related entities) are related parties of the Group and the Company.

Transactions entered into during the financial period with government-related entities include the following:

	Half-year ended 31 December 2017	Half-year ended 31 December 2016
i) Payroll, accounting and IT processing costs		
- Sime Darby Global Services Centre Sdn Bhd	**4**	-
ii) Purchase of heavy equipments, spare parts and services		
- Sime Darby Industrial Holdings Sdn Bhd	**4**	-
- Sime Kubota Sdn Bhd	**1**	-
iii) Purchase of chemicals and fertilisers		
- Chemical Company of Malaysia Berhad	-	20
iv) Sale of Redeemable Loan Stocks in Prolintas Expressway Sdn Bhd		
- Permodalan Nasional Berhad	**333**	-

These related party transactions were entered into in the ordinary course of business on normal trade terms and conditions.

Amounts in RM million unless otherwise stated

A10. Significant Related Party Transactions (continued)

Related party transactions conducted during the half-year ended 31 December are as follows: (continued)

f) Significant non-cash transactions

The significant non-cash related party transactions as set out below were entered into during the half-year ended to settle against the amount due to Sime Darby Holdings Berhad, a wholly-owned subsidiary of Sime Darby Berhad:

	Half-year ended 31 December 2017
(i) Proceeds from sale of lands to Sime Darby Property Berhad, a former wholly-owned subsidiary of Sime Darby Berhad	690
(ii) Settlement of the net amount owing to Sime Darby Holdings Berhad via issuance of new ordinary shares to Sime Darby Berhad	500

A11. Material Events Subsequent to the End of the Financial Period

There were no material events in the interval between the end of the period under review and 15 February 2018, being a date not earlier than 7 days from the date of issue of the quarterly report.

A12. Effect of Significant Changes in the Composition of the Group

a) On 9 November 2017, Sime Darby Netherlands B.V. (SD Netherlands), a subsidiary of the Company, had subscribed to 340,092,449 Series 5 Convertible Preferred Stock in Verdezyne, Inc. (Verdezyne). With this subscription, SD Netherlands now owns 43.37% of the share capital of Verdezyne.

b) On 24 November 2017, Mulligan International B.V, a subsidiary of the Company acquired 90% interest in PT Tamiyang Sumber Rezeki (PT TSR) for a total cash consideration of IDR78 billion (equivalent to RM24 million). PT TSR was incorporated in Indonesia and the company has been granted with the Hak Izin Lokasi and the Izin Usaha Perkebunan on 20,000 hectares of greenfield land in Kalimantan Tengah, Indonesia.

There are no other significant changes in the composition of the Group during the period under review.

A13. Contingent Liabilities – unsecured

a) Guarantees

In the ordinary course of business, the Group may issue surety bonds and letters of credit, which the Group provides to customers to secure advance payment, performance under contracts or in lieu of retention being withheld on contracts. A liability from the performance guarantees would only arise in the event the Group fails to fulfil its contractual obligations.

The performance guarantees and financial guarantees are as follows:

	As at 31 December 2017	As at 30 June 2017
Guarantees in respect of credit facilities granted to:		
- certain associates and a joint venture	**28**	26
- plasma stakeholders	**62**	69
	90	95

Amounts in RM million unless otherwise stated

B1. Review of Group Performance

(a) Current quarter against the previous year corresponding quarter

	Quarter ended 31 December 2017	2016	% +/(-)
Revenue	**4,085**	3,925	4
Segment results:			
Upstream Malaysia	**414**	182	> 100
Upstream Indonesia	**144**	275	(48)
Upstream PNG/SI	**39**	17	> 100
Upstream Liberia	**(20)**	(15)	(33)
Downstream	**64**	108	(41)
Other operations	**32**	3	> 100
Profit before interest and tax	**673**	570	18
Finance income	**5**	10	(50)
Finance costs	**(41)**	(108)	(62)
Profit before tax	**637**	472	35
Tax expense	**(160)**	(131)	
Profit after tax	**477**	341	40
Perpetual sukuk	**(31)**	-	
Non-controlling interests	**(17)**	(22)	
Profit after tax attributable to owners of the Company	**429**	319	34

Group revenue for the quarter ended 31 December 2017 was higher by 4% compared to the corresponding quarter of the previous year. Profit before tax of RM673 million improved by 18%, on the back of the better profits from the Upstream operations arising from higher sales of palm products, and lower finance costs due to lower borrowings. Net earnings for the quarter ended 31 December 2017 increased by 34% to RM429 million. The Group's fresh fruit bunches ("FFB") production improved by 2% from 2.72 million metric tonnes (MT) to 2.76 million MT in the current quarter, softening the impact from the 6% reduction in the average crude palm oil ("CPO") price realised at RM2,654 per MT in the quarter under review. The lower CPO price realised was largely on account of weaker sentiment in the market.

An analysis of the results of each segment is as follows:

i) Upstream Malaysia

Upstream Malaysia registered a profit of RM414 million in the current quarter, which represents an increase of 127%. FFB production in the region improved by 26% to 1.69 million MT from 1.34 million MT in the same quarter last year, which mitigated the impact from lower average CPO price realised at RM2,706 per MT versus RM2,851 per MT the same quarter last year.

B1. Review of Group Performance (continued)

An analysis of the results of each segment is as follows (continued):

ii) Upstream Indonesia

Upstream Indonesia recorded a profit of RM144 million this quarter, 48% decline compared to RM275 million in the same quarter last year. This was primarily due to lower FFB production of 0.71 million MT this quarter, as compared to 0.94 million MT during the same period last year. The weaker production was mainly attributable to aggressive replanting efforts, particularly in the Kalimantan region. Moreover, productivity in Sumatra was impacted by floods which hindered harvesting activities in the area. The average CPO price realised was also lower at RM2,533 per MT versus RM2,763 per MT in the previous year corresponding quarter.

iii) Upstream PNG/SI

Upstream PNG/SI reported a profit of RM39 million in the quarter under review against RM17 million in the previous year corresponding quarter. FFB production in the current quarter declined by 22% as compared to the same quarter last year. CPO price realised averaged at RM2,713 per MT versus RM2,961 per MT in the previous corresponding quarter.

iv) Upstream Liberia

Upstream Liberia registered a loss of RM20 million this quarter versus a loss of RM15 million the same quarter last year due to higher amortisation charge caused by the increase in mature area. Despite this, FFB production in the region had increased five-fold as compared to the previous corresponding quarter. The average CPO price realised stood at RM2,275 per MT versus RM2,499 per MT last year.

v) Downstream

Downstream operations recorded a profit of RM64 million, 41% lower compared to RM108 million in the previous year corresponding quarter. This was mainly attributable to weaker profit contributions from our refineries in Malaysia and Europe, which endured a reduction in sales volume, as well as decreased margins on the back of a rise in feedstock costs. This was partially mitigated by the favourable performance of our Thailand and Vietnam refineries, which experienced stronger sales volume and margin of differentiated products.

vi) Other operations

Other operations reported a profit of RM32 million versus RM3 million the same quarter last year. The stellar performance was largely because of the recognition of dividend income of RM39 million from an investment.

Amounts in RM million unless otherwise stated

B1. Review of Group Performance (continued)

b) Current half-year ended 31 December 2017 against the previous year corresponding period ended 31 December 2016

	Half-year ended 31 December 2017	2016	% +/(-)
Revenue	**7,626**	6,744	13
Segment results:			
Upstream Malaysia	**1,490**	402	> 100
Upstream Indonesia	**261**	318	(18)
Upstream PNG/SI	**77**	29	> 100
Upstream Liberia	**(43)**	(27)	(59)
Downstream	**134**	182	(26)
Other operations	**38**	(5)	> 100
Profit before interest and tax	**1,957**	899	> 100
Finance income	**17**	19	
Finance costs	**(98)**	(219)	
Profit before tax	**1,876**	699	> 100
Tax expense	**(340)**	(201)	
Profit after tax	**1,536**	498	
Perpetual sukuk	**(63)**	-	> (100)
Non-controlling interests	**(25)**	(28)	
Profit after tax attributable to owners of the Company	**1,448**	470	> 100

Group revenue for the period ended 31 December 2017 was higher by 13% compared to the corresponding period of the previous year. Profit before tax of RM1.88 billion was higher by RM1.18 billion due to the gain on sale of land to Sime Darby Property Berhad ("SD Property") of RM676 million, the higher earnings from the Upstream operations arising from the increased production of FFB and lower finance costs due to lower borrowings. Net earnings for the period ended 31 December 2017 increased by RM978 million to RM1.45 billion from RM470 million in the preceding year. For the period under review, FFB production increased by 12% to 5.457 million MT, mitigated the impact of 2% lower average CPO price realised of RM2,672 per MT as compared to the previous year corresponding period.

An analysis of the results of each segment is as follows:

i) Upstream Malaysia

Upstream Malaysia registered a higher profit of RM1.49 billion for the period under review, inclusive of the gain from sale of land to SD Property of RM676 million. Profit of RM719 million (excluding the gain on sale of land and write back of donation) was 79% higher than the corresponding period of the previous year, on the back of higher FFB production and sales volumes. FFB production increased by 25% to 3.25 million MT contributing to 29% higher CPO sales volume. The average CPO price of RM2,717 per MT was marginally lower than RM2,743 per MT realised in the previous year.

B1. Review of Group Performance (continued)

An analysis of the results of each segment is as follows (continued):

ii) Upstream Indonesia

For the period under review, Upstream Indonesia reported a profit of RM261 million, lower than the corresponding period of the previous year of RM318 million, mainly attributable to lower FFB production, lower CPO sales volume, as well as lower average CPO price realised. FFB production was 5% lower at 1.44 million MT. Average CPO price realised decreased by 5% from RM2,703 per MT to RM2,580 per MT.

iii) Upstream PNG/SI

Upstream PNG/SI recorded an RM48 million increase in profit to RM77 million, arising from higher sales volume which compensated the lower FFB production and lower CPO price realised. FFB production decreased marginally to 0.75 million MT whereas sales volume was 12% higher than the corresponding period of the previous year. Average CPO realised price of RM2,701 per MT was 4% lower than the previous year.

iv) Upstream Liberia

The Liberia operation reported a higher loss mainly due to the higher amortisation charge arising from the increase in mature area as compared to the corresponding period of the previous year, but impact was partially mitigated by the higher FFB production in the current period. FFB production increased to 29,336 MT from 6,369 MT during the corresponding period of the previous year. Average CPO price realised increased by 8% from RM2,072 per MT to RM 2,243 per MT.

v) Downstream

Downstream operations registered a profit of RM134 million during the period under review, 26% lower than the corresponding period of the previous year. This was mainly due to lower margin caused by the sharp decline in CPO prices particularly in November and December 2017 when prices reduced to RM2,689 and RM2,407 per MT respectively, from RM2,736 per MT in October 2017. The changes in Malaysian government's cooking oil quota and subsidy, import/export duty tax structure of both importing and exporting countries and shipment delays in the month of December 2017 also contributed to the lower profit for the period under review.

vi) Other operations

Other operations reported a profit of RM38 million as compared to a loss of RM5 million in the corresponding period of the previous year, mainly due to a dividend income received from an investment in the period under review of RM39 million, and lower loss incurred by associates and joint ventures.

Amounts in RM million unless otherwise stated

B2. Material Changes in Profit for the Current Quarter as Compared to the Results of the Preceding Quarter

	Quarter ended		
	31 December 2017	**30 September 2017**	**% +/(-)**
Revenue	**4,085**	3,541	15
Segment results:			
Upstream Malaysia	**414**	1,076	(62)
Upstream Indonesia	**144**	117	23
Upstream PNG/SI	**39**	38	3
Upstream Liberia	**(20)**	(23)	13
Downstream	**64**	70	(9)
Other operations	**32**	6	> 100
Profit before interest and tax	**673**	1,284	(48)
Finance income	**5**	12	
Finance costs	**(41)**	(57)	
Profit before tax	**637**	1,239	(49)
Tax expense	**(160)**	(180)	
Profit after tax	**477**	1,059	(55)
Perpetual sukuk	**(31)**	(32)	
Non-controlling interests	**(17)**	(8)	
Profit after tax attributable to owners of the Company	**429**	1,019	(58)

Group revenue increased by 15% boosted by the higher CPO sales volumes and FFB production in the current quarter. Profit before tax however declined by 49% due to the recognition of gains from sale of land of RM676 million in the preceding quarter. Excluding the gains on sale of land, profit before tax for the Group was 13% higher than the preceding quarter mainly due to the higher earnings from the Upstream segments. For the quarter under review, FFB production increased by 2% to 2.76 million MT, which mitigated the impact from the lower average CPO price realised which decreased by 2% to RM2,654 per MT.

a) Upstream Malaysia

Upstream Malaysia registered a profit of RM414 million for the quarter under review, 36% higher than the preceding quarter (excluding the gain on sale of land and write back of donation recorded in the preceding quarter). This is attributable to the higher FFB production, which mitigated the impact from lower average CPO price realised. FFB production increased by 9% to 1.69 million MT as compared to the preceding quarter, whereas average CPO price realised declined by 1% to RM2,706 per MT as compared to RM2,730 per MT in the preceding quarter.

B2. Material Changes in Profit for the Current Quarter as Compared to the Results of the Preceding Quarter (continued)

b) Upstream Indonesia

Upstream Indonesia reported a profit of RM144 million, 23% higher than the preceding quarter, mainly attributable to higher sales volumes which compensated the lower FFB production and lower average CPO price realised. FFB production was 2% lower at 0.71 million MT whereas the CPO sales volume increased by 18%. The average CPO price realised declined by 4% from RM2,635 per MT to RM2,533 per MT.

c) Upstream PNG/SI

For the quarter under review, Upstream PNG/SI reported marginally higher profit as compared to the preceding quarter. FFB production declined by 15% to about 0.34 million MT; the impact was partially mitigated by the higher average CPO price realised which increased from RM 2,690 per MT to RM2,713 per MT.

d) Upstream Liberia

Liberia operation reported marginally lower loss of RM20 million as compared to the preceding quarter. FFB production was 6% higher at 15,125 MT and average CPO price realised increased by 3% from RM2,220 per MT to RM2,275 per MT.

e) Downstream

Downstream operations recorded a profit of RM64 million, 9% lower than the preceding quarter mainly attributable to lower sales volumes from refineries in Malaysia, Indonesia and Europe as well as lower margin from its bulk business.

f) Other operations

Other operations reported a profit of RM32 million as compared to RM6 million in the preceding quarter, mainly due to the dividend income from an investment received in current quarter of RM39 million.

B3. Prospects

Barring any extreme weather abnormalities, the Group expects the full year FFB production to improve from the previous financial year as the El Niño effect tapers off in line with increased FFB output in the oil palm industry. Although this is expected to continue putting a downward pressure to CPO prices, the recent suspension on CPO export taxes by the Malaysian Government and the upcoming festive periods will lend support to demand.

Other factors such as the movement of crude oil prices, the implementation of biodiesel mandates particularly in Indonesia, the performance of the Ringgit against foreign currencies, and competition from other edible oils are also likely to influence the CPO market price.

Overall, the Group expects its operating performance for FY2018 to be satisfactory.

Amounts in RM million unless otherwise stated

B4. Variance of Actual profit from Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B5. Operating Profit and Finance Costs

	Quarter ended 31 December		Half-year ended 31 December	
	2017	**2016**	**2017**	**2016**
Included in operating profit are:				
Gain/ (loss) on disposal of:				
- property, plant and equipment	**(10)**	3	**69**	17
- non-current assets held for sale	**-**	-	**676**	-
Depreciation and amortisation	**(289)**	(293)	**(548)**	(580)
Property, plant and equipment written off	**(5)**	(4)	**(13)**	(21)
Write-down of inventories	**(8)**	(5)	**(8)**	(9)
Fair value (losses)/ gains:				
- commodities futures contracts	**2**	(58)	**(15)**	(79)
- forward foreign exchange contracts	**(5)**	(18)	**(13)**	(10)
Unrealised exchange losses	**(6)**	(70)	**(18)**	(51)
Reversal of impairment/ (impairment) of receivable	**(1)**	4	**(1)**	(3)
Included in finance costs are:				
Finance costs on interest rate swap contracts	**(1)**	4	**1**	3

Other than the above, there were no gain or loss on disposal of quoted and unquoted investments and no impairment of assets for the current quarter ended 31 December 2017.

B6. Tax Expense

	Quarter ended 31 December		Half-year ended 31 December	
	2017	**2016**	**2017**	**2016**
In respect of the current year:				
- current tax	**140**	106	**283**	171
- deferred tax	**14**	20	**53**	25
	154	126	**336**	196
In respect of prior years:				
- current tax	**6**	5	**4**	5
	160	131	**340**	201

The effective tax rate for the quarter is 25.1%, slightly higher than the Malaysian income tax rate of 24%.

The effective tax for the half-year ended 31 December 2017 is 18.1%, low compared to the Malaysian income tax rate of 24% mainly due to the gain on sale of the Malaysian Vision Valley (MVV) land to Sime Darby Property Berhad during the period under review which is not subjected to tax.

B7. Status of Corporate Proposals

There are no corporate proposals announced but not completed as at 15 February 2018.

Amounts in RM million unless otherwise stated

B8. Group Borrowings

The breakdown of the borrowings as at 31 December 2017 is as follows:

	Secured	Unsecured	Total
Long-term borrowings			
Term loans	-	3,327	**3,327**
Revolving credit	-	1,457	**1,457**
Bonds	-	485	**485**
Multi currency sukuk	-	498	**498**
Unamortised deferred financing expenses	-	(25)	**(25)**
	-	5,742	**5,742**
Short-term borrowings			
Term loans due within one year	-	654	**654**
Revolving credit	-	616	**616**
Multi currency sukuk due within one year	-	202	**202**
Trade facilities	*	-	**-**
	-	1,472	**1,472**
Total borrowings	*	7,214	**7,214**

*Less than RM1 million.

The breakdown of borrowings between the principal and interest portion is as follows:

	Secured	Unsecured	Total
Borrowings			
- principal	-	7,239	**7,239**
- unamortised deferred financing expenses	-	(25)	**(25)**
Total borrowings	-	7,214	**7,214**

The Group borrowings in RM equivalent analysed by currencies in which the borrowings are denominated are as follows:

	Long-term borrowings	Short-term borrowings	Total
European Union euro	485	73	**558**
Indonesia rupiah	-	366	**366**
Ringgit Malaysia	70	65	**135**
Thailand baht	42	12	**54**
United States dollar	5,145	956	**6,101**
Total borrowings	5,742	1,472	**7,214**

Borrowings amounting to RM400,000 (30 June 2017: RM39 million) are secured by fixed and floating charges over the assets, trade and other receivables of the Group.

Amounts in RM million unless otherwise stated

B9. Financial Instruments

Derivatives

The Group uses forward foreign exchange contracts, interest rate swap contracts and commodity futures contracts to manage its exposure to various financial risks. The fair values of these derivatives as at 31 December 2017 are as follows:

	Classification in Statement of Financial Position				
	Assets		**Liabilities**		**Net Fair**
	Non-current	**Current**	**Non-current**	**Current**	**Value**
Forward foreign exchange contracts	**-**	**11**	**-**	**10**	**1**
Commodities futures contracts	**-**	**16**	**-**	**4**	**12**
Interest rate swap contracts	**-**	**9**	**-**	**-**	**9**
	-	**36**	**-**	**14**	**22**

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 30 June 2017.

The description, notional amount and maturity profile of each derivative are shown below:

Forward foreign exchange contracts

Forward foreign exchange contracts were entered into by subsidiaries in currencies other than their functional currency in order to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

The forward foreign currency contracts are stated at fair value, using the prevailing market rates. All changes in fair value of the forward foreign currency contracts are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 31 December 2017, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

	Notional Amount	**Fair Value Assets**
- less than 1 year	1,246	1

Amounts in RM million unless otherwise stated

B9. Financial Instruments (continued)

Commodity futures contracts

Commodity futures contracts were entered into by subsidiaries to manage exposure to adverse movements in crude palm oil prices. Certain contracts are entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's expected purchase, sale or usage requirements, except for those contracts shown below.

The outstanding commodity futures contracts as at 31 December 2017 that were not held for the purpose of physical delivery are as follows:

	Quantity (metric tonne)	**Notional Amount**	**Fair Value Assets**
Purchase contracts	49,546	131	(4)
Sales contracts	59,959	167	16
			12

All contracts will mature within one year.

Interest rate swap contracts

The Group has entered into interest rate swap contracts to convert floating rate liabilities to fixed rate liabilities to mitigate the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments. The differences between the rates calculated by reference to the agreed notional principal amounts were exchanged at periodic intervals. All changes in fair value during the financial year are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

The outstanding interest rate swap contracts, all plain vanilla, as at 31 December 2017 are as follows:

Effective period	**Notional amount**	**All-in swap rate per annum**
17 August 2017 to 20 February 2018	USD350 million	1.75% to 2.55%

As at 31 December 2017, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

	Notional Amount	**Fair Value Assets**
Less than 1 year	1,423	9

B10. Material Litigation

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position.

a) PT Sajang Heulang ("PT SHE") vs. PT Anzawara Satria ("PT AS")

On 11 May 2006, PT SHE, a wholly-owned subsidiary of the Group, filed legal action against PT AS in the District Court of Kotabaru ("District Court"), claiming for the surrender of around 60 Ha of land forming part of the Right to Cultivate (Hak Guna Usaha) Certificate No. 35 dated 14 May 2002 ("HGU 35") belonging to PT SHE on which PT AS had allegedly carried out illegal coal mining activities. PT SHE's HGU 35 measures about 2,218 Ha. If it loses this claim, PT SHE could potentially lose HGU 35, the NBV of which is about IDR29.0 billion (equivalent to around RM9.1 million). In addition, we would also lose the potential income from HGU 35.

On 5 December 2006, the District Court ruled in favour of PT AS and declared that HGU 35 was defective and had no force of law and that PT AS had the right to conduct mining activities on the said land ("District Court Decision"). PT SHE appealed to the Banjarmasin High Court against the District Court Decision. On 4 December 2007, the Banjarmasin High Court upheld the District Court Decision ("1st High Court Decision"). On 12 February 2008, PT SHE appealed to the Supreme Court of Indonesia ("Supreme Court") against the 1st High Court Decision. On 10 March 2011, the Supreme Court ruled in favour of PT AS and ordered PT SHE to surrender 2,000 Ha of land in Desa Bunati forming part of HGU 35 to PT AS ("1st Judicial Review Decision").

Meanwhile, on 24 May 2006, PT AS claimed in the State Administration Court of Banjarmasin ("State Court") for an order that the mining rights held by PT AS superseded the HGU 35 held by PT SHE and that the said HGU 35 was improperly issued to PT SHE. On 26 September 2006, the State Court ruled in favour of PT SHE and dismissed PT AS's claim ("State Court Decision"). PT AS appealed to the Jakarta High Court of State Administration ("Jakarta High Court") against the State Court Decision. On 19 February 2007, the Jakarta High Court ruled in favour of PT AS and nullified PT SHE's HGU 35 ("2nd High Court Decision"). On 9 December 2009, PT SHE appealed to the Supreme Court against the 2nd High Court Decision. On 26 October 2010, the Supreme Court declared PT SHE as the lawful owner of HGU 35 ("2nd Judicial Review Decision").

On 7 November 2011, PT SHE filed judicial review proceedings ("3rd Judicial Review") before the Supreme Court seeking a decision on the conflicting decisions of the 1st Judicial Review Decision and 2nd Judicial Review Decision. On 28 December 2012, the Supreme Court dismissed the 3rd Judicial Review on the grounds that the application cannot be determined by another judicial review decision.

On 27 March 2013, PT AS commenced execution of the 1st Judicial Review Decision and in carrying out the execution proceedings, oil palm were cut down and buildings and infrastructure were destroyed, resulting in damages on around 1,500 Ha of land. On 23 April 2014, PT SHE filed a claim at the District Court of Batulicin against PT AS for the sum of IDR672.8 billion (equivalent to around RM209.9 million) for loss and/or damage caused by PT AS in executing the 1st Judicial Review Decision.

On 20 January 2015, the District Court of Batulicin decided in favour of PT SHE and awarded damages in the sum of IDR69.9 billion (equivalent to around RM21.8 million) to be paid by PT AS and on 13 February 2015 issued a written decision ("Batulicin District Court Decision"). On 29 January 2015, PT AS filed an appeal to the Banjarmasin High Court against the Batulicin District Court Decision.

B10. Material Litigation (continued)

a) PT Sajang Heulang ("PT SHE") vs. PT Anzawara Satria ("PT AS") (continued)

On 19 November 2015, the Banjarmasin High Court ruled in favour of PT AS based on the grounds that the 1st Judicial Review Decision had been deliberated and decided by the Banjarmasin High Court and Supreme Court. Thus, PT SHE is not entitled to bring the same action before the District Court of Batulicin ("3rd High Court Decision").

On 22 February 2016, PT SHE filed an appeal to the Supreme Court against the 3rd High Court Decision. On 28 March 2016, PT AS filed its reply to PT SHE's appeal. As at the interim report date, the Supreme Court has yet to make a decision. Our counsel is of the view that the Supreme Court should side with the District Court of Batulicin (which decided in favour of PT SHE) as the Banjarmasin High Court (which decided in favour of PT AS) has misapplied the law.

b) New Britain Palm Oil Limited ("NBPOL") v. Masile Incorporated Land Group ("Masile"), NBPOL v. Rikau Incorporated Land Group ("Rikau") & NBPOL v. Meloks Incorporated Land Group ("Meloks")

Prior to the Group's acquisition of NBPOL (which was completed on 2 March 2015), a wholly-owned subsidiary, NBPOL, had on 31 August 2011 initiated 3 separate legal actions against the Defendants in the National Court of Justice at Waigani, Papua New Guinea ("Court"). All 3 actions relate to the same cause of action whereby the Defendants had defaulted in their obligations to surrender their Special Agricultural Business Leases ("SABL") to NBPOL for registration of the sub-leases despite having received benefits from NBPOL under the sub-lease agreements ("SLAs"). Such benefits received by the Defendants include rental paid by NBPOL for 3,720 Ha of land under the SABL ("Land"), royalties for the FFB harvested from the Land, and 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants.

The term of the sub-leases is 25 years commencing from 2005 and expiring in 2030. NBPOL could potentially lose access to and possession over these sub-leases if it loses these claims. The potential loss to the Group is the value of the Land, which is around PGK71.3 million (equivalent to around RM94.0 million) based on the NBV of buildings, infrastructures and bearer plants on the Land. In addition, we would also lose the potential income from the Land.

NBPOL sought orders for specific performance requiring the Defendants to deliver to NBPOL their SABL to enable the sub-leases to be registered in accordance with the Land Registration Act 1981 of PNG. In the alternative, NBPOL also claimed for compensation for costs incurred by NBPOL in developing the Land into an oil palm estate totalling around PGK30.7 million (equivalent to around RM40.5 million), compensation for the appreciation of the value of the Land due to the development done by NBPOL, and compensation for the 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants pursuant to the SLAs.

The Defendants in turn cross-claimed, among others, that the SLAs were unfair and inequitable, and should be declared invalid, void and of no effect. The Defendants also claimed for damages for environmental damage and trespass to property by NBPOL. Our counsel is of the view that the Defendants' cross-claims are unlikely to succeed.

Trial relating to NBPOL's claims against Meloks was concluded on 2 November 2016. During the submissions stage, NBPOL advised the Court that it will not pursue the alternate reliefs of compensation claimed against Meloks. The Court reserved the decision to a date which has yet to be fixed. NBPOL's claims against Rikau and Masile are pending trial which the parties agreed to be decided after the decision on NBPOL's claims against Meloks is delivered by the Court. Our counsel is of the view that NBPOL's prospects of succeeding in its claims are good.

B10. Material Litigation (continued)

c) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah

PT MGG and PT ASM, wholly-owned subsidiaries of the Group, and PT ITH, a subsidiary of the Group, are involved in a lawsuit brought by PT MAP and PT PS.

PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest.

PT MAP became the shareholder of PT ITH after purchasing 6,200 ordinary shares of PT ITH (representing 50% equity interest in PT ITH as of December 2008, which was funded by PT PS) from Yayasan Kartika Eka Paksi ("YKEP"). Once the former officer of YKEP for the term of 2004 to 2009 was dismissed, the newly elected officer of YKEP realised that the transfer of shares from YKEP to PT MAP is a violation of the prohibition for any direct or indirect transfer of assets of a foundation (Yayasan) to its affiliated parties. The former officer of YKEP who entered into the earlier sale was PT MAP's shareholder and member of the Board of Directors and Board of Commissioners. In response, the newly elected officer of YKEP tried to repurchase such shares which had already been sold to PT MAP with the same price as when PT MAP purchased it from YKEP. However, PT MAP refused such offer. YKEP then filed a lawsuit to invalidate and nullify this transfer of shares. On 31 May 2016, the Supreme Court had issued a decision that invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP ("Judicial Review Decision").

In that regard, YKEP then filed a petition to execute the Judicial Review Decision to the Central Jakarta District Court, demanding that (i) the 6,200 ordinary shares in PT ITH be returned to YKEP and (ii) PT MAP and the former officers of YKEP to pay compensation for damages to YKEP in the amount of IDR 200.0 billion (equivalent to around RM62.4 million). YKEP's petition was granted under a Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court which obligates PT MAP and the former officers of YKEP to comply with the Judicial Review Decision.

In response, the former officers of YKEP (some of them were represented by their heirs) filed a Third Party Opposition (Gugatan Perlawan) registered under case number 537/PDT.PLW/2017/PN.Jkt.Pst dated 18 October 2017, seeking nullification towards the Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court and the execution of the Judicial Review Decision, on the basis that (i) the 6,200 ordinary shares in PT ITH are currently owned by YKEP; (ii) YKEP has also received dividends as a shareholder of PT ITH; and (iii) there is conflicting decision on the matter of legality of transfer of the 6,200 shares in PT ITH between (i) the Judicial Review Decision No. 196 PK/Pdt/2016, which nullified such transfer of shares and (ii) the Decision of East Jakarta District Court No. 130/Pdt.G/2015/PN.Jkt.tim dated 7 July 2015 ("Decision of East Jakarta District Court"), which declared the transfer of 6,200 ordinary shares in PT ITH from YKEP to PT MAP as legally valid. However, neither YKEP, PT ITH, PT MGG nor PT ASM was included as parties under the Decision of East Jakarta District Court. As at the report date, the Central Jakarta District Court has yet to render its decision towards the Third Party Opposition (Gugatan Perlawan) filed by the former officers of YKEP.

B10. Material Litigation (continued)

c) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH") (continued)

Despite the existence of the Judicial Review Decision, PT MAP and PT PS still filed a lawsuit seeking compensation from all defendants, individually or jointly and severally, namely (i) PT ITH as Defendant I; (ii) PT MGG as Defendant II; (iii) PT ASM as Defendant III; (iv) Razman Bin Abdul Rahman as Defendant IV; (v) Ir. Achmad Ansori, S.H as Defendant V; (vi) Minwar Hidayat as Defendant VI; (vii) Ismail Bin Ali as Defendant VII; (viii) Ir. Safwani as Defendant VIII; (ix) Hersuhasto as Defendant IX; (x) Ir. Kurniawanto Setiadi as Defendant X; and (xi) YKEP as Defendant XI.

The compensation sought by PT MAP and PT PS comprise: (i) material damages (direct loss) in the amount of IDR247.0 billion (equivalent to around RM77.1 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM42.8 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM78.0 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM156.0 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM311.1 million), being the total sum of the above material damages (excluding the 3% interest), fine and immaterial damages claimed by PT MAP and PT PS from all the 11 defendants, individually or jointly and severally. The term "individually or jointly and severally" means that one or more defendants can be pursued to pay all amounts demanded. In other words, PT MAP and PT PS may recover all the damages from any of the defendants regardless of their individual share of the liability.

To that extent, South Jakarta District Court and Jakarta High Court, which previously adjudicated and examined this case, had rejected PT MAP and PT PS's lawsuit by referring to the Judicial Review Decision. In response, PT MAP and PT PS filed an appeal to the Supreme Court. As at the reporting date, the Supreme Court has yet to make a decision. Our counsel is of the view that there is no legal ground for PT MAP to act as the holder of the disputed shares, as the shareholder registry of PT ITH has never recorded PT MAP as one of the holders of shares in PT ITH, including the disputed shares.

d) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Unimills B. V. ("SD Unimills")

SD Unimills, a wholly-owned subsidiary of the Group, is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos). This vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners and 2 Algerian cargo owners). One of the 9 cargo owners is SD Unimills. The percentage of SD Unimills' cargo on board was about 14.4%. The voyage of this vessel was interrupted in Greece in June 2010, when the vessel owners declared themselves unable to continue the voyage to Bejaia, Barcelona, Lisbon and Rotterdam due to financial reasons, and the vessel was anchored in Psachna, Greece. The vessel was auctioned and in April 2011 sold to Chantico Shipmanagement Ltd. All cargoes were eventually discharged in May/April 2013. Beginning in 2012 Chantico started various proceedings against cargo owners.

B10. Material Litigation (continued)

d) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Unimills B. V. ("SD Unimills") (continued)

The following 2 lawsuits are still pending:

i) Proceedings before the Court of Piraeus, started in October 2014 ("Lawsuit 1"), which replaced the previous proceedings that commenced in 2012.

The writ was served on only 2 European and 2 Algerian cargo owners so far and has yet to be served on SD Unimills and the 4 other cargo owners. The claims by Chantico are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the total amount claimed from all 9 cargo owners (one of which is SD Unimills), jointly and severally, is EUR11.3 million (equivalent to around RM55.7 million). In addition, Chantico claimed a storage fee from each cargo owner based on Chantico's alleged management of cargo owner's assets, and the total amount claimed from SD Unimills is EUR8.4 million (equivalent to around RM41.4 million). Upon request of the parties, the Court adjourned the hearing of 7 March 2017 with no appointed date for resumption. To revive the proceedings, Chantico has to serve the writ on all cargo owners. The potential exposure of SD Unimills under Lawsuit 1 could be up to around EUR19.7 million (equivalent to around RM97.0 million), being the total of Chantico's claims under Lawsuit 1. The hearing in respect of the 4 European cargo owners that have been served with a writ is scheduled on 12 June 2018 before the Court of Piraeus.

ii) Proceedings before the Court of Piraeus, started in December 2015 ("Lawsuit 2") and filed against the same 9 cargo owners, including SD Unimills, and a third party.

The writ has been served on SD Unimills and the other cargo owners. The claim in these proceedings is based on alleged damage to the vessel and loss of profit caused by alleged actions in tort during transhipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (equivalent to around RM45.8 million) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000.00 (equivalent to around RM1.9 million) for port and anchorage dues. Similarly, in these proceedings, the Court adjourned the hearing of 7 March 2017 to 16 January 2018 and at the request of Chantico again to 12 June 2018. The potential exposure of SD Unimills under Lawsuit 2 could be up to around EUR9.7 million (equivalent to around RM47.8 million), being the total of Chantico's claims under Lawsuit 2. Also in this case, any full payment by SD Unimills of any adjudged part of the joint and several EUR9.7 million claim, would give SD Unimills the right to claim in recourse from the other Defendants their contribution.

Settlement negotiations in respect of Lawsuit 1 and Lawsuit 2 thus far have not led to fruitful results.

The cargo underwriters for the 7 European cargo owners, including SD Unimills, had in January 2014 raised doubts on the coverage under the cargo insurance certificates for the claims under Lawsuit 1 and Lawsuit 2, but are still prepared to contribute to a settlement in Lawsuit 1 with a total sum of EUR583,000 (equivalent to around RM2.9 million) for the 7 European cargo owners, of which SD Unimills' share is 27.25% (or EUR158,867.50 (equivalent to around RM782,500). Our Greek counsel estimates the exposure of SD Unimills at EUR389,060.00 (equivalent to around RM1.9 million) for Lawsuit 1 and EUR18,087.00 (equivalent to around RM89,100.00) for Lawsuit 2, all amounts being exclusive of interest.

B11. Dividend

An interim single tier dividend of 3.5 sen per share in respect of the financial year ending 30 June 2018, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act 1967 has been declared and will be paid on 4 May 2018. The entitlement date for the dividend payment is 20 April 2018.

A depositor shall qualify for entitlement to the dividend only in respect of:

(i) shares deposited into the depositor's securities account before 12.30 pm on 18 April 2018 in respect of shares which are exempted from mandatory deposit;

(ii) shares transferred into the depositor's securities account before 4.00 pm on 20 April 2018 in respect of transfers; and

(iii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

B12. Earnings Per Share

	Quarter ended 31 December		Half-year ended 31 December	
	2017	**2016**	**2017**	**2016**
Basic earnings per share attributable to owners of the Company are computed as follows.				
Profit for the period	**429**	319	**1,448**	470
Weighted average number of ordinary shares in issue (million)	**6,801**	6,801	**6,801**	6,801
Basic earnings per share (sen)	**6.3**	4.7	**21.3**	6.9

The diluted earnings per share of the Group is similar to the basic earnings per share as the Group does not have any material potential dilutive ordinary shares in issue.

The weighted average number of shares for all periods has been adjusted for Share Issue and Share Split as set out in Note A5.

By Order of the Board
Norzilah Megawati Abdul Rahman
Mazlina Mohd Zain
Company Secretaries

Petaling Jaya
22 February 2018